

## Gifts of Cash

In most cases, if you itemize deductions on your tax returns, the first tangible benefit of making a gift of cash to your church today is a charitable income tax deduction for the full value of the gift. The resulting reduction in income taxes payable lowers the net cost of the gift. If you are subject to state and/or local income taxes as well as federal taxes, then the combined marginal rate (after the federal deduction for those income taxes paid) should be taken into consideration in determining the gift's net cost.

If you don't usually itemize deductions, you may want to consider itemizing for any tax year in which you make a sizable charitable donation. One technique used by people who have few itemized deductions is to alternate between years in which they take the standard deduction and years in which they itemize. The years in which they make few charitable gifts are the years they take the standard deductions. The years in which they double their annual philanthropic support are the years they should shift to itemizing.

Beware of the annual limitation on the use of charitable deductions claimed for gifts to your church and other public charitable organizations. The limitation for any specific year is 50 percent of your adjusted gross income (AGI) for gifts of cash. If the deductions earned by very high levels of giving are too much to use in any given year, then any unused deductible amounts can be carried over and used for as many as five additional years, if necessary.

### Outright Gifts of Cash and Their Results:

- **Cash gift:** A cash gift by check is one of the most common methods for making an outright charitable contribution. For cash gifts of \$250 and more, donors must receive written confirmation from the church or charity, as canceled checks are no longer sufficient proof of a deductible gift.
- **Illustration:** To illustrate the net cost of a \$1,000 cash gift, assume the gift is made by a taxpayer with a combined state and federal marginal income tax rate of 30 percent. The donor's combined, marginal income tax rate is then multiplied by the amount of the gift, which in this case is \$1,000. The result of this math is \$300. This amount is then subtracted from the amount of the original gift to determine the net cost to the donor.

$$30\% \times \$1,000 = \$300$$

$$\$1,000 - \$300 = \$700$$

Therefore, the net cost of the donor's gift is \$700.

### For More Information

This summary is intended to provide basic information regarding gifts of cash to a church or to the DSUMF. If you have additional questions concerning gifts of cash, please contact the Desert Southwest United Methodist Foundation, 1550 E. Meadowbrook Ave., Phoenix, AZ 85014, [foundation@dsumf.org](mailto:foundation@dsumf.org), 602.266.6956 Ext. 202.